



Van Buren County Public Transit
(a Component Unit of Van Buren County, Michigan)

Financial Report
with Supplemental Information
September 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

80-7522

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>VanBuren County Public Transit</u>	County <u>VanBuren</u>
Audit Date <u>9/30/04</u>	Opinion Date <u>1/18/05</u>	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>67 West Michigan Avenue, Suite 500</u>	City <u>Battle Creek</u>	State <u>MI</u>	ZIP <u>49017</u>
Accountant Signature <i>Plante & Moran, PLLC</i>			

Van Buren County Public Transit

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Independent Auditor's Report

Van Buren County Public Transit
Van Buren County, Michigan

We have audited the accompanying component unit financial statements of the Van Buren County Public Transit (a component unit of Van Buren County, Michigan) as of September 30, 2004 and 2003 and for the years then ended, as listed in the table of contents. These component unit financial statements are the responsibility of the Van Buren County Public Transit management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming opinions on the financial statements of the Transit's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information, except for the schedule of mileage data, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the management's discussion and analysis which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Van Buren County Public Transit as of September 30, 2004 and 2003 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 18, 2005

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Van Buren County Public Transit

Management's Discussion and Analysis

About the Transit

Van Buren County Public Transit (the "Transit") serves Van Buren County with public transportation services. The Transit is a component unit of Van Buren County, Michigan. The Transit was established in 1975 as an elderly and handicap transportation service. In January 1979, the system opened to the general public. Since January 1979, the Transit property has provided over 1.5 million passenger trips. The Transit is governed by a five-member board appointed by the Van Buren County Board of Commissioners.

Mission Statement and Sources of Revenue

The Transit's mission is to provide quality transportation to the citizens of Van Buren County. To meet this mission, the Transit receives both federal and state funding. The Transit receives funding for operations and capital purchases. Grant applications are submitted once a year for the funding of operations. The timing of grant applications for capital projects differs with the projected capital purchases. Federal contributions total approximately 15 percent of total revenue, and state funding provides approximately 58 percent of total revenue. The Transit charges fees to the users of the Transit as well as providing service under contract to various organizations within the County. The charges for services revenue amounts to approximately 24 percent of total revenue. Other sources of revenue include in-kind contributions and interest.

Van Buren County Public Transit

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table represents condensed information about the Transit's financial position for the past two fiscal years. Net assets decreased by approximately \$6,000 during the year. Total net assets include the investment in capital assets. Investment in capital assets represents the capital assets held by the Transit, net of related accumulated depreciation.

		September 30	
		2004	2003
Assets			
Current Assets		\$ 232,033	\$ 443,088
Property and Equipment		681,715	515,044
Total assets		<u>\$ 913,748</u>	<u>\$ 958,132</u>
Liabilities and Net Assets			
Current Liabilities		\$ 60,755	\$ 109,187
Long-term Liabilities - Accrued sick and vacation pay		38,805	28,814
Total liabilities		99,560	138,001
Net Assets			
Invested in capital assets		681,715	515,044
Unrestricted		132,473	305,087
Total net assets		<u>814,188</u>	<u>820,131</u>
Total liabilities and net assets		<u>\$ 913,748</u>	<u>\$ 958,132</u>

Operating Income and Expenses

The Transit's financial position declined slightly during the year ended September 30, 2004. Operating income combined with nonoperating revenue was not sufficient to cover the current operating expenses.

Van Buren County Public Transit

Management's Discussion and Analysis (Continued)

Operating Income and Expenses (Continued)

The following table shows the changes in net assets during the years ended September 30, 2004 and 2003:

	<u>Year Ended September 30</u>	
	<u>2004</u>	<u>2003</u>
Operating Revenue	\$ 189,139	\$ 184,962
Operating Expenses	<u>(1,139,743)</u>	<u>(994,181)</u>
Operating Loss	(950,604)	(809,219)
Nonoperating Revenue	<u>598,590</u>	<u>610,948</u>
Loss Before Capital Contributions	(352,014)	(198,271)
Capital Contributions	<u>346,071</u>	<u>111,212</u>
Net Loss	<u><u>\$ (5,943)</u></u>	<u><u>\$ (87,059)</u></u>

As the data indicates, the Transit's operating income has been stable over the past two years. Charges for services were 24 percent of total revenue and 17 percent of total operating expenses in 2004, compared to 18 percent of total operating expenses in 2003. Operating revenues have increased due to increases in fees, and ridership has increased to 53,588 trips in 2004 from 52,392 trips in 2003, which was an increase of approximately 2 percent. Efforts to control operating costs are ongoing. Operating expenses increased in 2004 compared to 2003 due to an increase in health insurance costs and an increase in depreciation.

Nonoperating Income

Nonoperating income includes federal and state grants, interest income, local grants, and County in-kind contributions. Nonoperating revenue has decreased in 2004 due to state and federal cutbacks in funding. Interest income also decreased in the current year due to lower cash balances and lower interest rates.

Van Buren County Public Transit

Management's Discussion and Analysis (Continued)

Capital Improvements

During the year, the Transit purchased three new buses funded from Section 5309 Federal Discretionary funds. The Transit also purchased a radio system and an HVAC system with Section 5311 Federal Surface Transportation funds.

Future Projections

Due to deteriorating financial conditions, the Transit board is exploring a county-wide millage levy. Funding from a millage would assist in financing operations and would increase ridership by providing more ridership options.

Contacting the Transit's Management

This management report/discussion provides an overview of the current and prospective financial condition of the Transit's operations and physical assets. If there are questions concerning this report or if additional information is desired, please contact the Transit at 269-429-7377.

Van Buren County Public Transit

Statement of Net Assets

	September 30	
	2004	2003
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 172,366	\$ 389,318
Accounts receivable	29,669	15,726
Grants receivable (Note 3)	17,698	26,064
Inventory	7,453	2,997
Prepaid expenses	4,847	8,983
Total current assets	232,033	443,088
Property and Equipment - Net (Note 4)	<u>681,715</u>	<u>515,044</u>
Total assets	<u>\$ 913,748</u>	<u>\$ 958,132</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 37,188	\$ 85,746
Accrued payroll	23,567	9,658
Due to State	-	13,783
Total current liabilities	60,755	109,187
Long-term Liabilities - Accrued sick and vacation pay	<u>38,805</u>	<u>28,814</u>
Total liabilities	99,560	138,001
Net Assets		
Invested in capital assets	681,715	515,044
Unrestricted	<u>132,473</u>	<u>305,087</u>
Total net assets	<u>814,188</u>	<u>820,131</u>
Total liabilities and net assets	<u>\$ 913,748</u>	<u>\$ 958,132</u>

Van Buren County Public Transit

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended September 30	
	2004	2003
Operating Revenue - Sales and charges for services	\$ 189,139	\$ 184,962
Operating Expenses		
Administrative	150,577	141,465
Operations	904,844	778,241
Maintenance	84,322	74,475
	<u>1,139,743</u>	<u>994,181</u>
Total operating expenses		
Operating Loss	(950,604)	(809,219)
Nonoperating Revenue		
Intergovernmental:		
Federal sources	114,221	246,765
State sources	458,133	333,980
Local sources	7,640	10,741
County in-kind contribution	10,000	10,000
Interest earnings	2,075	4,396
Other	6,521	5,066
	<u>598,590</u>	<u>610,948</u>
Total nonoperating revenue		
Loss Before Capital Contributions	(352,014)	(198,271)
Capital Contributions		
Federal sources	276,857	89,236
State sources	69,214	21,976
	<u>346,071</u>	<u>111,212</u>
Total capital contributions		
Net Loss	(5,943)	(87,059)
Net Assets - Beginning of year	820,131	907,190
Net Assets - End of year	<u>\$ 814,188</u>	<u>\$ 820,131</u>

Van Buren County Public Transit

Statement of Cash Flows

	Year Ended September 30	
	2004	2003
Cash Flows from Operating Activities		
Cash received from customers	\$ 183,562	\$ 184,962
Payments made to suppliers	(461,712)	(328,375)
Payments made to employees	(537,392)	(505,189)
Net cash used in operating activities	(815,542)	(648,602)
Cash Flows from Noncapital Financing Activities -		
Intergovernmental sources - Operating grants	589,994	601,536
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(346,071)	(112,543)
Intergovernmental sources - Capital grants	346,071	111,212
Net cash used in capital and related financing activities	-	(1,331)
Cash Flows from Investing Activities		
Interest received	2,075	4,396
Other	6,521	5,066
Net cash provided by investing activities	8,596	9,462
Net Decrease in Cash and Cash Equivalents	(216,952)	(38,935)
Cash and Cash Equivalents - Beginning of year	389,318	428,253
Cash and Cash Equivalents - End of year	<u>\$ 172,366</u>	<u>\$ 389,318</u>

Van Buren County Public Transit

Statement of Cash Flows (Continued)

	Year Ended September 30	
	2003	2002
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (950,604)	\$ (809,219)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	179,400	119,220
Changes in assets and liabilities:		
Receivables	(5,577)	2,274
Due to/due from	(13,783)	13,783
Inventory and other assets	(320)	(3,363)
Accounts payable	(48,558)	32,989
Accrued and other liabilities	13,909	-
Other long-term liabilities	9,991	(4,286)
Net cash used in operating activities	<u>\$ (815,542)</u>	<u>\$ (648,602)</u>

During the years ended September 30, 2004 and 2003, there were no noncash capital financing or investing transactions.

Van Buren County Public Transit

Notes to Financial Statements September 30, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Van Buren County Public Transit (the "Transit") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity - The Transit is governed by an appointed five-member Council. The Transit is considered a component unit of Van Buren County, Michigan for financial accounting and reporting purposes.

The Transit receives federal and state financial assistance in the form of operating and capital grant funding to support its operation, expand marketing and specialized services, and replace buses and other equipment. The Transit provides demand response services within Van Buren County. The Transit also provides special services on a contractual basis to several nonprofit and governmental agencies within the County.

The accompanying component unit financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Transit is a component unit of Van Buren County, Michigan with a fiscal year ending December 31. The annual financial report of Van Buren County, Michigan is available for public inspection at the Van Buren County Courthouse.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Transit has elected not to follow private sector standards issued after November 30, 1989.

Van Buren County Public Transit

Notes to Financial Statements September 30, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of revenue, expenses, and changes in net assets distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with our principal ongoing operations. The Transit's principal operating revenue relates to charges for transportation services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - For purposes of cash flows, the Transit considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory - Inventory consists of fuel for vehicles, which is stated at cost on a first-in, first-out basis.

Capital Assets - Capital assets are defined by the Transit as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 50 years
Land improvements	40 to 50 years
Buses	10 to 15 years
Vehicles	5 to 7 years
Furniture and fixtures	7 to 10 years
Equipment	10 to 15 years

Accrued Vacation and Sick Leave - The Transit employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a long-term liability.

Van Buren County Public Transit

Notes to Financial Statements September 30, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2004 and 2003 are comprised of the following:

	2004	2003
Savings	\$ 23,912	\$ 27,376
Deposits with Van Buren County common cash pool account	148,454	361,942
Total	<u>\$ 172,366</u>	<u>\$ 389,318</u>

The savings deposits are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$23,912, which was covered by federal depository insurance.

The Transit's deposits in the Van Buren County common cash pool account are administered by the County. The federal depository insurance coverage pertains to all the deposits of the County; hence, the specific coverage pertaining to the Transit's deposits, if any, is not determinable.

Van Buren County Public Transit

Notes to Financial Statements September 30, 2004 and 2003

Note 3 - Grants Receivable

Grants receivable at September 30, 2004 and 2003, by grant type and year, are as follows:

	2004	2003
Federal Section 5311-FY03	\$ 17,480	\$ 23,733
State - Job Access/Project Zero - FY01	-	2,119
RTAP - FY02	218	212
Total	<u>\$ 17,698</u>	<u>\$ 26,064</u>

Note 4 - Property and Equipment

A summary of property and equipment at September 30, 2004 and 2003 follows:

	2003	Additions	Disposals	2004	Depreciable Life -Years
Buildings	\$ 519,292	\$ -	\$ -	\$ 519,292	20
Land improvements	82,229	-	-	82,229	5
Buses	639,421	313,644	(199,859)	753,206	5
Vehicles	43,656	-	-	43,656	3-7
Furniture and fixtures	17,501	30,866	(2,643)	45,724	10
Equipment	38,080	1,561	-	39,641	3-10
Total cost	1,340,179	346,071	(202,502)	1,483,748	
Less accumulated depreciation	<u>(825,135)</u>	<u>(179,400)</u>	<u>202,502</u>	<u>(802,033)</u>	
Net property and equipment	<u>\$ 515,044</u>	<u>\$ 166,671</u>	<u>\$ -</u>	<u>\$ 681,715</u>	

Depreciation expense of \$179,400 and \$119,220 was reported for the years ended September 30, 2004 and 2003, respectively.

Van Buren County Public Transit

Notes to Financial Statements September 30, 2004 and 2003

Note 5 - Michigan Department of Transportation (MDOT) Sublease

On July 2, 1998, Van Buren County Public Transit signed a sublease agreement with MDOT for the purpose of using three new buses. The agreement is in effect through the life of the vehicles and allows the Transit to use the vehicles at no cost to the Transit. The Transit is to pay the operation costs of the vehicles. The title to the vehicles remains with MDOT and the Transit did not recognize a revenue or expense for the value of the sublease in accordance with MDOT instructions.

Note 6 - Retirement Plan

Van Buren County Public Transit employees participate in the Van Buren County Employee Pension Trust, which became effective on April 30, 1984. This defined contribution plan replaces the Van Buren County Pension Plan that was terminated in the prior year.

All county employees, including Transit employees, are eligible to participate in the plan. The Transit is required to pay contributions to the plan that match the participant's contribution up to a maximum of 5 percent of employee compensation.

The Transit contributed \$10,219 and \$10,217 to the participant retirement plan for the years ended September 30, 2004 and 2003, respectively.

Note 7 - Risk Management

The Transit is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Transit has purchased commercial insurance for employee medical benefit claims, and participates in the Michigan Municipal Liability and Property Pool and Michigan Municipal Workers' Compensation Fund for all other claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Van Buren County Public Transit

Notes to Financial Statements September 30, 2004 and 2003

Note 8 - Subsequent Event

Subsequent to September 30, 2004, the Transit purchased two buses with a total cost of approximately \$107,000, which was funded from federal and state sources.

Also subsequent to September 30, 2004, the Transit has not received Project Zero grant funding due to applications not being filed timely. These funds are a pass-through from the State of Michigan to the Transit, which in turn pays the third-party transportation vendors. As of the date of this report, the Transit has approximately \$40,000 of unpaid invoices due to the transportation vendors.

Other Supplemental Information

Van Buren County Public Transit

Schedule of Operating Revenue

	Year Ended September 30	
	2004	2003
Operating Revenues		
Passenger fares:		
General public	\$ 39,711	\$ 42,056
Contract rides:		
Lakeview Hospital	-	90
H.M.O.	2,932	458
Dowagiac Schools	629	377
Mental Health - MTI	81,482	68,530
Mental Health - Hope Center	41,375	47,970
Van Buren/Cass County Health Department	5,463	5,307
Family Independence Agency	974	30
Autumn House	7,555	7,856
South Haven Community Hospital	38	-
Hartford F.R.C.	-	946
South Haven Schools	808	5,032
	<u>141,256</u>	<u>136,596</u>
Total contract rides		
	<u>141,256</u>	<u>136,596</u>
Total passenger fares	180,967	178,652
Special services	7,732	5,030
Maintenance service	<u>440</u>	<u>1,280</u>
Total operating revenue	<u>\$ 189,139</u>	<u>\$ 184,962</u>

Van Buren County Public Transit

Schedule of Operating Expenses

	Year Ended September 30				
	2004				2003
	General Administrative	Operations	Maintenance	Total	Total
Labor					
Operators' salaries and wages	\$ -	\$ 197,707	\$ -	\$ 197,707	\$ 193,986
Dispatchers' salaries and wages	-	25,806	-	25,806	24,436
Other salaries and wages	73,501	-	34,767	108,268	92,229
Total labor	73,501	223,513	34,767	331,781	310,651
Fringe Benefits					
Payroll taxes	5,792	19,549	3,028	28,369	27,357
Retirement	4,264	4,273	1,682	10,219	10,217
Health insurance	13,595	100,112	12,379	126,086	99,617
Life insurance	63	272	32	367	371
Workers' compensation	865	12,106	1,731	14,702	9,489
Paid absences - Vacation pay	6,553	9,849	2,967	19,369	16,630
Paid absences - Sick pay	1,844	10,839	126	12,809	14,388
Paid absences - Holiday Pay	2,447	6,509	1,272	10,228	9,695
Paid absences - Other	1,360	4,824	449	6,633	1,948
Uniforms	-	-	729	729	540
Total fringe benefits	36,783	168,333	24,395	229,511	190,252
Contractual Services					
Professional and technical	14,030	-	-	14,030	14,997
Maintenance	-	-	1,032	1,032	950
Other services	11,208	13,175	10,518	34,901	30,561
Total contractual services	25,238	13,175	11,550	49,963	46,508
Materials and Supplies Consumed					
Fuel and lubricants	-	39,133	-	39,133	35,458
Tires and lubes	-	3,581	-	3,581	2,557
Other materials and supplies	3,143	557	13,310	17,010	17,238
Total materials and supplies consumed	3,143	43,271	13,310	59,724	55,253
Utilities	7,905	5,541	-	13,446	14,144
Insurance	-	15,010	-	15,010	8,467
Miscellaneous Expenses					
Dues and subscriptions	1,121	-	-	1,121	1,395
Travel and meetings	-	385	-	385	982
Advertising	2,481	38	-	2,519	1,629
Ineligible expenses:					
RTAP	-	4,507	-	4,507	3,412
Job access/Project Zero	-	250,485	-	250,485	237,964
Other	405	623	300	1,328	2,929
Total miscellaneous expenses	4,007	256,038	300	260,345	248,311
Leases and Rentals	-	563	-	563	1,375
Depreciation	-	179,400	-	179,400	119,220
Total operating expenses	\$ 150,577	\$ 904,844	\$ 84,322	\$ 1,139,743	\$ 994,181

Van Buren County Public Transit

Schedule of Nonoperating Revenues - State and Federal

	Year Ended September 30	
	2004	2003
State of Michigan Operating Grants		
Formula operating assistance (Act 51)	\$ 285,108	\$ 275,756
Job Access Reverse Commute/Project Zero - Section 3037	<u>173,025</u>	<u>58,224</u>
Total State of Michigan operating grants	458,133	333,980
Federal Operating Grants		
U.S.D.O.T. operating grant - Section 5311	66,392	68,564
Job Access Reverse Commute/Project Zero - Section 3037	45,796	174,674
RTAP	<u>2,033</u>	<u>3,527</u>
Total Federal operating grants	<u>114,221</u>	<u>246,765</u>
Total nonoperating revenue - State and federal	<u><u>\$ 572,354</u></u>	<u><u>\$ 580,745</u></u>

Van Buren County Public Transit

Statement of Net Eligible Cost Computations of General Operations

	Year Ended September 30	
	2004	2003
Expenses		
Labor	\$ 331,781	\$ 310,651
Fringe benefits	229,511	190,252
Services	49,963	46,508
Materials and supplies	59,724	55,253
Utilities	13,446	14,144
Insurance	15,010	8,467
Miscellaneous	260,345	248,311
Leases and rentals	563	1,375
Depreciation	179,400	119,220
Total expenses	1,139,743	994,181
Less Ineligible Expenses		
Depreciation	44,274	45,346
Audit fees	9,850	9,225
Dues	52	58
Grant costs:		
RTAP	4,507	3,412
Job Access/Project Zero	250,485	237,964
Total ineligible expenses	309,168	296,005
Net eligible expenses	<u>\$ 830,575</u>	<u>\$ 698,176</u>
Federal		
Maximum Section 5311 Reimbursement		
10.95% of \$830,626	<u>\$ 90,948</u>	<u>\$ 76,450</u>
State		
Maximum State Operating Assistance		
42.23% of \$830,626	<u>\$ 350,752</u>	<u>\$ 320,130</u>

Van Buren County Public Transit

Schedule of Mileage Data (Unaudited)

	Year Ended September 30	
	2004	2003
Public Transportation		
Vehicle mileage:		
First quarter	91,362	95,406
Second quarter	87,932	95,301
Third quarter	88,722	83,373
Fourth quarter	<u>95,199</u>	<u>90,240</u>
Total vehicle mileage	<u>363,215</u>	<u>364,320</u>

The methodology used for compiling mileage has been reviewed and found to be adequate and a reliable method for recording vehicle mileage.

January 18, 2005

Van Buren Public Transit
610 David Walton Drive
Bangor, Michigan 49013

Dear Members of the Board:

In planning and performing our audit of the financial statements of Van Buren Public Transit for the year ended September 30, 2004, we considered the Transit's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable Conditions

Bank Reconciliations

During our audit, we noted that bank reconciliations were prepared, however, the bank balances were not reconciled to the actual general ledger balance. Reconciling the Transit's cash accounts to the bank statements will assist in reducing manual errors and will also verify the Transit's monthly cash balance and would provide members of the board accurate financial information to make informed decisions.

Segregation of Duties

While performing the audit, we noted that the bookkeeper performs all of the accounting functions, including opening mail, posting journal entries and reconciling cash. While we understand that the Transit is limited in staffing, we recommend that one more person be involved in the accounting functions. That person could be a board member involved in reviewing the bank statements and reconciliations on a monthly basis or the Driver Supervisor being more involved in the mail opening and cash receipting process. Segregation of duties is a necessity to good internal controls and accurate, reliable financial information.

Other Recommendations

Credit Card Policy

Based on a review of the Transit's credit card policy we noticed that the policy has not been updated since 1990. Recently, the State of Michigan has made changes to the information required to be included in credit card policy. We recommend the Transit review the policy and update it according to the State's requirements. Plante & Moran would be happy to provide a sample policy.

This report is intended solely for the information and use of members of the board, management, and others within the organization or specified regulatory agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PLANTE & MORAN, PLLC



Sharon Vargo, CPA
Partner



Kimberly Hoppe, CPA
Associate